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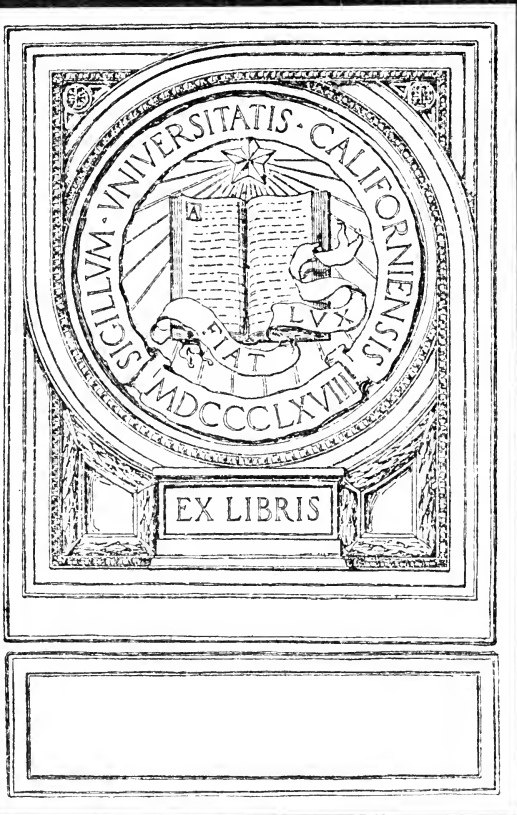
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DEPARTMENT OF AGRICULTURE AND TECHNICAL
INSTRUCTION FOR IRELAND.

"THE ANNUAL AUDIT."

A PAPER READ AT THE CONFERENCE OF
PRINCIPALS OF TECHNICAL SCHOOLS
IN IRELAND.

BY

JAMES W. DRURY,
Auditor,

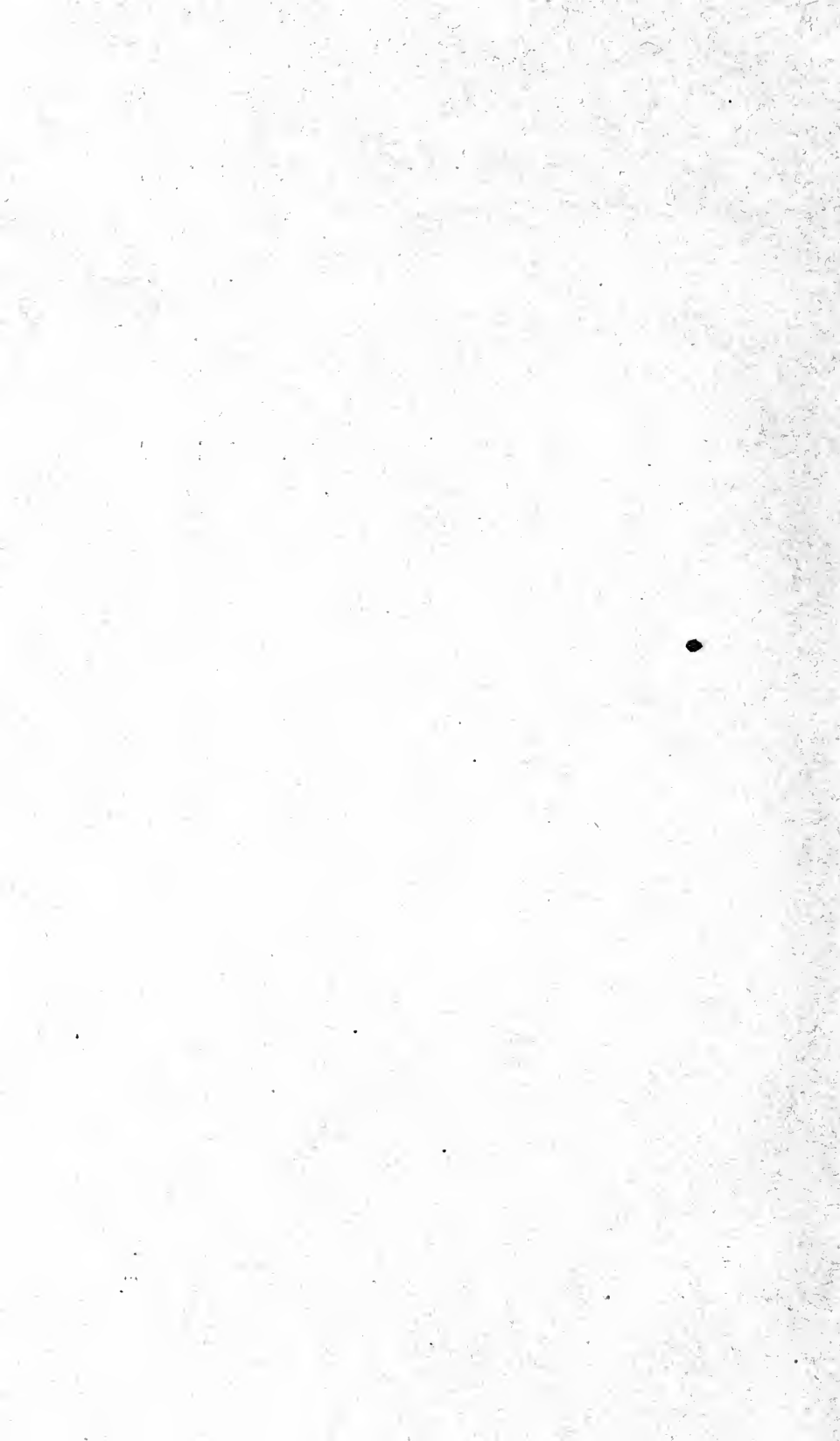
LOCAL GOVERNMENT BOARD, IRELAND.



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TO VNU
ALPHABETIC

"THE ANNUAL AUDIT."

BY JAMES W. DRURY,

Auditor, Local Government Board, Ireland.

At the request of the Department of Agriculture and Technical Instruction for Ireland, and by permission of the Local Government Board, I have attended this Conference to say a few words on a subject which nearly concerns every accounting officer present, and which is described on your agenda paper as "The Annual Audit." The title is short, but comprehensive: a full discussion of the subject would absorb more time than can be devoted to it to-day. I must only endeavour to give some few hints of a general character, which may prove useful to so many of you, gentlemen, as have not hitherto had experience of the limitations and obligations attaching to the administration of public monies and the rendering of the accounts connected therewith.

The audit at once suggests the auditor. Of him I speak, not only as an auditor of nearly fifteen years' standing, but from the more intimate standpoint, so far as you are concerned, of one who was previously an accounting officer to two local authorities for some six or seven years.

The auditor should be treated with the respect which is due, not necessarily to him as an individual, but to the Local Government Board, whose representative he is. Every officer should endeavour to establish with him relations of mutual confidence, and should strive to secure that the minimum of trouble and labour should be imposed on him in the course of the audit. It is hardly necessary to remark that trouble caused to the auditor means trouble to the officer; therefore, in his own interests the officer should have everything prepared for the audit, so that he can, without delay, produce any document or turn up any reference in the minutes that may be required.

On the other hand, the auditor should be considerate to the officers with whom he comes in contact, and should be ever ready to assist them, when appealed to, by affording such explanations and advice as his experience and knowledge may suggest; and I think I can claim for myself and my colleagues that this is our endeavour.

I would impress on every officer the imperative necessity of treating the auditor with absolute candour. The auditor is obliged, in a very limited time, to audit accounts extending over

six or twelve months, as the case may be; he has many accounts to deal with in the course of a year; he cannot be expected to retain in his memory the details of each account; he must, therefore, rely for information on the accounting officer.

The officer should, when called on, afford the auditor every information in his power, fully and promptly; there should be no concealment: the truth, the whole truth, and nothing but the truth, is what the auditor expects, and is entitled to require. When asked to explain the circumstances leading up to certain expenditure no officer should withhold from the auditor documents, minutes, or other evidence, even though they are, or may appear to be, unfavourable to the Committee. Complete information should be afforded to the auditor, otherwise he is not placed in a position to determine the question under consideration dispassionately and justly. Let me beg your attention to this matter.

Now as to some of the routine work. Of course, the first essential is that the form of the accounts should be properly designed so as to meet the requirements of the Local Government Board, the Department, and the Committee. The form of account is under consideration at the present moment, and in due time the Local Government Board will intimate their requirements in the matter.

Hardly less essential, however, from an audit point of view is it, that when the form is prescribed and the books printed, the accounts should be written up in a neat, accurate, and methodical manner. This work must progress steadily throughout the year. The duty will occupy but little time if discharged immediately after each meeting at which payments are made; but if allowed to go into arrear the task will be found irksome, and will probably fall to be disposed of during some inconvenient and busy season at the expense of neatness and accuracy.

Never use a knife or other eraser to obliterate an error in your books of account. Every auditor is prepared to find that an occasional error may have crept into the accounts of even the most experienced and careful officer. He will not resent the error, but cannot tolerate an erasure. When an alteration becomes necessary rule out the erroneous figures with pen and ink and insert over them the correct ones.

Should you ever fail to balance your accounts, and after diligent search find you are unable to locate the error, acquaint the auditor of the fact before he commences the audit. Never present an account to your Committee for payment until you have fully checked it, and certified its accuracy. This should in every case be done previous to the meeting.

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Number all receipts and payments consecutively in your Receipt and Expenditure Book, and put corresponding numbers on the appropriate vouchers. Keep your vouchers neat, not crumpled or tossed; fasten all vouchers for a single month together.

Each item of receipt and payment should be supported by a voucher. Sums received should be vouched: in the case of remittances from the local authority, the Department, or other public body, by the production of the advice note or letter; fees from pupils, and miscellaneous sums, by the blocks of your receipt books. Always give a receipt for each sum received, and for this purpose use books with blocks numbered consecutively in print.

Payments should be vouched, in the case of goods supplied or work done, by the production of the tradesman's account and receipt; the former should contain details of the items making up the amount charged, with dates. A bill commencing "To amount of account furnished," is useless, so far as that amount is concerned. Receipts for salaries should contain a statement showing the period covered by the payment. Should a payment be in respect of a contract, the voucher should bear a reference to the minutes of the meeting at which the tender was accepted, and the tender itself with the advertisement should be attached.

Audits will be facilitated, and much annoyance, trouble, and loss of time, will be avoided if details such as I have indicated be attended to. Officers would be well advised to keep their books from time to time as if the audit were impending the next day or week. Time will be saved, and the audit rendered easier, by the adoption of a system of references. Do not be afraid to annotate your books. Should an expenditure be proposed the legality of which is doubtful, but considered expedient, let a *precis* of the reasons which influenced the Committee to incur it be inserted on the minutes. Should the members be divided in opinion as to the advisability of incurring certain expenditure or making a payment, let the names of the members voting for or against be recorded on the minutes. In short, let the records of proceedings be full and complete, so that you may always be in a position to refer to them in order to satisfy, or answer questions put by the auditor. Officers may thus not only greatly facilitate the auditor, but may safeguard themselves, especially in cases where they are doubtful of the legality of expenditure. In such cases they would be justified in asking that a note should be taken on the minutes of the fact that they had raised the question for the consideration of the Committee.

Our subject is the *annual* audit. The title is quite appropriate in the cases of Committees of Technical Instruction

appointed by urban authorities; but such Committees, if appointed by County or Rural District Councils, must close their accounts half-yearly. All accounts must be closed so as to synchronise with the financial year which ends on 31st March: half-yearly accounts will, of course, also be closed to 30th September.

I understand that the Department will require financial returns prepared from the accounts showing results for what may be called the school year, which, I believe, closes on 31st July.

The preparation or furnishing of these returns need not perturb any officer who keeps his books properly written up and posted. The receipts and payments of every month should be totalled in the books, and these monthly totals can be transferred to the return, which, of course, would be printed in a form suitable for the purpose.

The legal aspect of the audit might be discussed or explained at considerable length; but I have already trespassed on your time and patience, so must be brief.

The chief thing to remember in order to avoid surcharges is that Committees are prohibited from making, and auditors are prohibited from passing, illegal payments.

What are illegal payments? Generally speaking, such payments as are made in respect of expenditure which is not authorised by the statutes governing the proceedings of the Committee.

It would be difficult to prepare a schedule of all the expenditure which would be legal, especially in the case of Technical Instruction Committees, whose duties and powers vary with circumstances; but secretaries will keep themselves and their Committees fairly safe from surcharge if, before expenditure is incurred, the question is asked and answered in the affirmative—"Have we lawful authority to incur this?"

Two enactments must always be remembered—Section 47 (2) of the Local Government (Ireland) Act, 1898 (which prohibits the application of funds to purposes not authorised by statute), and Section 19 (4) of the Agriculture and Technical Instruction (Ireland) Act, 1899 (which forbids the application of money except in accordance with a scheme, or for purposes, approved by the Department).

I do not propose to mention in detail the provisions of the statutes relating to audits, but I would suggest to all officers that they should make themselves familiar with them, and to assist them I give the principal references in order of date:—

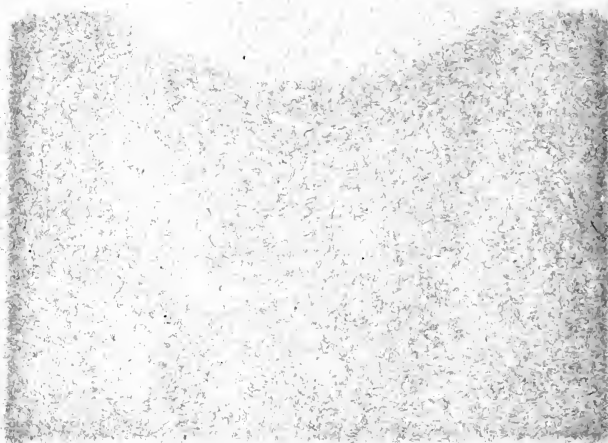
- (1.) Sections 11 to 18 of the Local Government (Ireland) Act, 1871, as amended by subsequent Acts.
- (2.) Section 248 of the Public Health (Ireland) Act, 1878.

- (3.) Sections 5 and 6 of the Technical Instruction Act, 1889.
- (4.) Section 63 of the Local Government (Ireland) Act, 1898.
- (5.) Article 19 of the Schedule to the Local Government (Application of Enactments) Order, 1898.
- (6.) Section 30 Agriculture and Technical Instruction (Ireland) Act, 1899.
- (7.) The Orders of the Local Government Board which apply to the accounts of County and District Councils.

The Local Government (Ireland) Act of the late Session of Parliament has clauses dealing with audit matters; but as the Bill has only received Royal Assent, and is not yet printed, I do not deal with them.

As I have already mentioned, no Order has yet been made by the Local Government Board prescribing the form of accounts to be used by Committees of Agriculture and Technical Instruction; the provisions of such an Order are at the present time under consideration.

May I add, in closing, that I am aware it is the desire of the Local Government Board that all officers of local authorities or Committees who are desirous of discharging their important and oftentimes onerous public duties in an efficient manner, should be facilitated in every possible way, and they therefore need have no hesitation in communicating with the Board should matters of real difficulty connected with the accounts arise.



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